

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B02

PLR-130365-07

Date:

December 26, 2007

Legend

Target =

Newco =

Foreign Corporation =

State A =

Country X =

Individual =

Year 1 =

Year 2 =

Year 3 =

a =

b =

c =

d =

Dear _____ :

This responds to a letter on behalf of Target dated June 28, 2007, requesting rulings as to the Federal income tax consequences of a proposed transaction. The material information provided in that letter and in subsequent correspondence is summarized below.

Target is a State A corporation that files its Federal income tax return on a calendar year basis. Target's principal asset is the right to receive benefits through a trust that holds approximately a% of the stock of Foreign Corporation, a Country X corporation.

Target was incorporated in Year 1 and capitalized largely with stock purchases in small amounts chiefly or entirely by individuals in the years immediately following Year 1. Approximately b shares of voting common stock and approximately c shares of non-voting common stock in Target have been issued. All of the voting stock is held by Individual.

Foreign Corporation discontinued paying dividends after a dividend was paid in Year 2 and did not resume paying dividends until Year 3.

The holders of approximately d% of the nonvoting Target stock cannot be identified or located. That has been the case since some time before Year 2. Diligent attempts by Target to locate these shareholders have been unavailing.

For what is represented to be a valid business purpose, Target proposes the following transaction:

Individual has already formed Newco, a State A corporation, and will be issued one share of Newco stock. The holders of all the voting stock of Target will approve an agreement and plan of merger between Target and Newco (the "Merger"). At the effective time of the Merger, Target will merge with and into Newco pursuant to the agreement and plan of merger and will cease to exist as a separate corporation.

Prior to the Merger, Target will give notice (the "Notice") to Target shareholders of an exchange offer pursuant to an Exchange Agreement between Target and Newco. The Exchange Agreement provides that each shareholder of Target that delivers a share of non-voting Target stock within a specified time, in accordance the Notice and with State A law, will be entitled to receive in exchange for each such share delivered, a share of Newco non-voting stock. The Exchange Agreement further provides that each shareholder of Target that delivers a share of voting Target stock within the same period, in accordance with the terms of the Notice and with State A law, will be entitled to receive in exchange therefor one share of Newco voting stock.

The Notice further provides that shareholders of Target who hold shares of Target capital stock issued and outstanding immediately before the effective time of the Merger are entitled to appraisal rights in connection with the Merger under State A law. The Notice states that any shares held by a person who does not properly respond to the Notice nor demand appraisal for such shares pursuant to applicable State A law shall be canceled and no consideration shall be issued in respect thereof. Such cancellation shall be by virtue of the Merger between Target and Newco and without any action on the part of the shareholder. Target expects that approximately d% of the nonvoting Target stock will be cancelled in the Merger.

Target has made the following representations in connection with the proposed transaction:

- (a) The fair market value of the Newco stock and other consideration received by each Target shareholder will be approximately equal to the fair market value of the Target stock surrendered in exchange therefor.
- (b) At least 40% of the proprietary interest in Target will be exchanged for Newco common stock and will be preserved (within the meaning of Treas. Reg. 1.368-1(e)). For purposes of this representation, stock is not treated as a proprietary interest to the extent that no consideration is exchanged for it.
- (c) Neither Newco nor any person related to Newco (within the meaning of Treas. Reg. 1.368-1(e)(3)) has any plan or intention to reacquire any of the Newco stock issued in the Merger.
- (d) Newco has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the transaction, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) of the Code.
- (e) The liabilities of Target assumed by Newco and the liabilities to which the transferred assets of Target are subject were incurred by Target in the ordinary course of its business.
- (f) Following the transaction, Newco will continue the historic business of Target or use a significant portion of Target's historic business assets in a business.
- (g) Newco, Target, and the shareholders of Target will pay their respective expenses, if any, incurred in connection with the transaction.
- (h) There is no intercorporate indebtedness existing between Target and Newco that was issued, acquired, or will be settled at a discount.

- (i) No two parties to the transaction are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- (j) Target is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
- (k) The fair market value of the assets of Target transferred to Newco will equal or exceed the sum of the liabilities assumed by Newco plus the amount of liabilities, if any, to which the transferred assets are subject.

Based solely on the facts and representations submitted, we rule as follows:

- (1) Provided that the Merger qualifies as a statutory merger in accordance with applicable state A law, the acquisition by Newco of all of the assets of Target and the assumption of Target liabilities in exchange for Newco stock, followed by the distribution of Newco stock to exchanging Target shareholders in complete liquidation of Target will constitute a reorganization under section 368(a)(1)(A). Target and Newco will each be a “party to the reorganization” within the meaning of Section 368(b).
- (2) Target will recognize no gain or loss on the transfer of its assets to Newco and the assumption of its liabilities by Newco (sections 361(a) and 357(a)).
- (3) Newco will recognize no gain or loss upon receipt of the Target assets in exchange for Newco stock and the assumption of the liabilities of Target (section 1032(a)).
- (4) Newco’s basis in the assets received from Target will equal the basis of such assets in the hands of Target immediately before their transfer to Newco (section 362(b)).
- (5) Newco’s holding period in the assets received from Target will include the period during which Target held the assets (section 1223(2)).
- (6) Target will recognize no gain or loss on its deemed distribution of the Newco stock to Target shareholders (section 361(c)(1)).
- (7) Target shareholders will recognize no gain or loss upon the exchange of their Target stock for Newco stock pursuant to the Merger (section 354(a)(1)).
- (8) Each Target shareholder’s basis in Newco stock received by such Target shareholder in the Merger will equal the basis of the Target stock held by such shareholder immediately before the Merger (section 358(a)).
- (9) Each Target shareholder’s holding period in the Newco stock received in the Merger will include the holding period of the Target stock surrendered in the exchange,

provided that the Target shareholder held such stock as a capital asset on the date of the Merger (section 1223(1)).

The rulings contained in this letter are based upon information and representations submitted by the Target and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the Target requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, Targets filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Sean P. Duffley
Senior Legal Counsel (Corporate)